

Saskatchewan Liquor and Gaming Authority



Plan for 2012-13





PLAN FOR 2012-13

Statement from the Minister



On behalf of the Saskatchewan Liquor and Gaming Authority (SLGA), I present SLGA's Plan for the upcoming year. The Plan identifies how SLGA aligns with Government's Direction for 2012-13 and reflects SLGA's primary areas of focus. The Government's Direction and Budget for 2012-13 are built around *Keeping the Saskatchewan Advantage*, supporting our sound economic growth so that prosperity can be shared across the province.

Commitments contained in SLGA's 2012-13 Plan continue to focus on improving the effectiveness and efficiency of operations across the organization with a view to improving both customer service and financial performance. In addition, the Plan will contribute to a stronger business climate for its stakeholders while supporting sustainable and socially responsible growth in SLGA's net income over the medium term. SLGA's net income growth is essential to providing sustainable funding in support of government programs and services. SLGA will report on progress made toward this Plan, within the financial parameters provided, in the 2012-13 Annual Report.

The Honourable Tim McMillan
Minister Responsible for Saskatchewan Liquor and Gaming Authority

Response to Government Direction

Government has renewed its plan for 2012-13 to encourage and support the *Saskatchewan Advantage*. This plan reflects the Government's continued focus on economic growth, supporting the creation of new opportunities through strategic investments, ensuring that the prosperity is shared and our quality of life is enhanced. Government's key priorities and commitments have been supported in the context of a disciplined four-year fiscal plan and are presented in the *Government Direction for 2012-13*.

Government's Vision

"... a strong and growing Saskatchewan, the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."

Sustaining growth
and opportunities for
Saskatchewan people

Improving our
quality of life

Making life
more affordable

Delivering responsive
and responsible
government

Government's vision and four goals provide a directional framework for ministries, agencies and third parties to align with these priorities and to develop their plans to achieve greater success in the efficient delivery of government services.

All ministries and agencies will report on results achieved, or not yet achieved, in their 2012-13 annual reports. This honours Government's commitment to keep its promises and ensures greater transparency and accountability to the people of Saskatchewan.

MISSION, STRATEGIES AND ACTIONS

Mission Statement

Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products.

Strategy

Support economic growth in liquor and gaming industries and associated sectors

Key Actions

- ▢ Proceed with plans to relocate the existing warehouse to an expanded warehouse facility in 2013 to:
 - ▢ address growing volumes;
 - ▢ better meet the needs of industry stakeholders through improved product selection and reduced stock-outs;
 - ▢ improve commercial permittee service; and,
 - ▢ reduce costs to distribute alcohol in Saskatchewan.
- ▢ Proceed with the full network replacement of 4,000 VLTs and the central operating system. The VLT replacement is expected to begin in the fall/winter of 2012-13, helping to sustain revenue from this sector.
- ▢ Pursue opportunities as they present in the liquor store system to address capacity issues to allow for improved product selection, efficiencies, and to meet future volume growth requirements.
- ▢ Continue to support the charitable gaming industry through the charitable gaming grant program.

Strategy

Modernize SLGA's policy framework to allow for greater flexibility and encourage increased involvement by stakeholders in the economy

Key Actions

- ▢ Continue to review and amend the regulatory framework to support business interests while maintaining a balance with social responsibility and community safety.
- ▢ Amend *The Alcohol Control Regulations, 2002* to improve the business environment for stakeholders, in response to recommendations stemming from the government-wide 2012 Red Tape Reduction initiative.



Photo Credit: Tourism Saskatchewan, Devona Hill Photography, Rolling Pines Golf and Country Resort

Strategy

Strengthen the socially responsible sale and distribution of liquor and gaming products in an effort to reduce the adverse consequences of these activities

Key Actions

- ≡ Continue to participate on the Interprovincial Lottery Corporation Responsible Gaming sub-committee, leveraging resources from across jurisdictions for responsible gambling programs, focussed on evidence-based initiatives. Projects in 2012-13 include evaluating public/player acceptance of account-based responsible gambling approaches, development of a three minute responsible gambling based video tutorial on slots and VLTs, and further development of a national standards framework.
- ≡ Continue to work on the development of responsible gambling initiatives in collaboration with members of the Saskatchewan Partnership for Responsible Gambling (SPRG).
- ≡ Continue to work with the Saskatchewan Hotels and Hospitality Association (SHHA) and the Canadian Restaurant and Foodservice Association (CRFA) to promote responsible use initiatives related to both gaming and beverage alcohol.
- ≡ Continue to partner with Saskatchewan Government Insurance and various groups to promote awareness and prevention of drinking and driving.
- ≡ Implement an online responsible gambling training program for VLT site contractors and staff.
- ≡ In consultation with Saskatchewan Tourism Education Council pursue expansion of the Serve it Right program to include an online module for door persons at liquor permitted premises.
- ≡ Develop a responsible hosting guide that will promote awareness of host responsibilities and guidelines for the responsible consumption of alcohol.
- ≡ Review and evaluate responsible use features for use on new VLTs.

Strategy

Support and strengthen the collaborative partnership between SLGA and First Nations

Key Actions

Continue to work collaboratively with:

- ≡ the Saskatchewan Indian Gaming Authority (SIGA) to continue to fulfill commitments under the Casino Operating Agreement;
- ≡ the Indigenous Gaming Regulators (IGR) to continue to fulfill commitments under the IGR – SLGA Regulatory Agreement; and,
- ≡ the Federation of Saskatchewan Indian Nations (FSIN) to continue to fulfill commitments under the Gaming Framework Agreement (GFA) including participation in the regular five-year review of the GFA.



Photo Credit: Tourism Saskatchewan, Hans-Gerhard Pfaff, Victoria Park, Downtown Regina

Strategy

Ensure continuous improvement in internal operational efficiency and productivity

Key Actions

- 1. Build on foundational work to further develop its corporate culture focused on continual improvement in process efficiency and customer service. Resources will be dedicated to ensure timely implementation of continuous improvement plans and ongoing application of Lean methodology to SLGA's internal processes.
- 1. Continue to redesign SLGA's IT infrastructure to streamline services across core business processes and to ensure SLGA is well positioned to meet business needs from a technological perspective. The focus in 2012-13 will be:
 - ↳ replacement of Warehouse Management/Supply Chain systems, currently in progress;
 - ↳ replacement of Regulatory Compliance application systems, commencement in March 2012;
 - ↳ PeopleSoft Human Resource/Payroll upgrade; and,
 - ↳ Sharepoint implementation and integrated web strategy design and development, focusing on SLGA's internal and external web infrastructure, and improving information sharing and business transactions between SLGA and its customers/stakeholders.
- 1. Together with Tourism, Parks, Culture and Sport, First Nations and Métis Relations and SaskGaming, finalize the gaming governance review to identify options for consolidating and streamlining governance while maintaining an appropriate balance between revenue generation and social responsibility.

Strategy

Provide responsive and high quality services to customers and stakeholders

Key Actions

- 1. Ensure that Saskatchewan's blended model of alcohol distribution meets the demands and expectations of consumers.
- 1. Finalize SLGA's customer service strategy and rollout program across the organization.

PERFORMANCE MEASURES

Measure

SLGA net income

Fiscal Year	SLGA Net Income
2010-11	\$442.5 M
2009-10	\$433.1 M
2008-09	\$435.0 M
2007-08	\$398.0 M
2006-07	\$370.3 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

SLGA plays a very important role in funding provincial programs and services. SLGA's net income reflects the total net revenue generated by the Province's liquor industry and the majority of the gaming industry after deducting operating expenses. This is a critical outcome for SLGA and it contributes significantly to meeting the government's revenue needs for the funding of other key programs.

SLGA's net income measure reflects SLGA's core business activities and is directly aligned with Government's overarching goal of growth and opportunity. In addition to overall economic conditions, this measure is dependent upon the balance SLGA must achieve between revenue generation, stakeholder benefits, customer service, social responsibility and operational efficiency.

Historically, SLGA has demonstrated a steady increase in its net income. Continued monitoring of financial performance as it relates to liquor and gaming activity is key to maintaining growth into the future.

Measure

SIGA net income

Fiscal Year	SIGA Net Income
2010-11	\$64.4 M
2009-10	\$65.1 M
2008-09	\$59.9 M
2007-08	\$58.1 M
2006-07	\$48.8 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure reflects the total net income generated by the SIGA casinos in the Province after deducting operating expenses. As required by section 207 of the *Criminal Code of Canada*, SLGA owns the slot machines located in SIGA's casinos. The revenue generated from the machines is distributed according to the revenue sharing formula in the 2002 Gaming Framework Agreement between the Province and the FSIN.

The General Revenue Fund retains 25 per cent of SIGA's net profits (after defined payments) in support of broader provincial objectives. The remaining 75 per cent is distributed back to First Nations communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The CDCs fund economic development, social development, justice, education, recreation, culture, health and other related initiatives among First Nations and non-First Nations in and around the communities where the casinos are located.

SIGA's net income is linked to SLGA's strategies to support economic growth in liquor and gaming industries and associated sectors and to support and strengthen the collaborative partnership between SLGA and First Nations. A key driver of SIGA's net income growth since 2006-07 was the introduction of 750 additional slot machines at the Dakota Dunes Casino in Saskatoon and the Living Sky Casino in Swift Current. This measure can be impacted by overall economic conditions and competition from other gaming sectors.



Photo Credit: Tourism Saskatoon, River Landing Riverfront Park at Dusk

Measure

VLT site commission

Fiscal Year	VLT Site Commission
2010-11	\$33.9 M
2009-10	\$34.3 M
2008-09	\$36.8 M
2007-08	\$39.9 M
2006-07	\$36.6 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure illustrates how private businesses benefit from VLT activity in the province. SLGA supports local businesses through a 15 per cent VLT site commission to liquor permitted establishments that host VLTs. In 2010-11, these site commissions helped to support 629 site contractors in 302 communities in Saskatchewan.

VLT site commissions are linked to Government's goal of growth and opportunity. The VLT program operates within a provincial cap of 4,000 VLTs balancing both social and fiscal responsibilities.

The decline in VLT site commissions relative to 2007-08 is primarily due to a one-time cost incurred in 2007-08 associated with the negotiated closing of the Emerald Casino in Saskatoon as well as a continued decline in VLT activity that began in 2008-09. Replacement of SLGA's VLT network is expected to reverse this trend in the near to medium term. This measure can be impacted by overall economic conditions and competition from other gaming sectors.



Photo Credit: Tourism Saskatchewan, Greg Huszar Photography, Cycling near Saskatoon

Measure

Total gross franchise and commercial permittee beverage alcohol purchases

Fiscal Year	Total Franchise ¹ Purchases	Total Commercial Permittee Purchases
2010-11	\$51.3 M	\$210.3 M
2009-10	\$50.2 M	\$215.4 M
2008-09	\$45.0 M	\$210.7 M
2007-08	\$41.4 M	\$200.7 M
2006-07	\$37.1 M	\$186.8 M

¹ Includes Specialty Wine Store Franchise Purchases
Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure reflects the beverage alcohol purchases made by SLGA's partners in the private sector, illustrating the extent to which the Saskatchewan beverage alcohol market is served by a blended distribution model. The rural franchises and commercial permittees in turn generate additional revenue and economic activity through the resale of beverage alcohol in support of other core business areas such as accommodation, food services and retail sales. Specialty Wine Store Franchises (SWSFs) were introduced in 2009-10, serving the Regina and Saskatoon specialty markets.

The total gross franchise and commercial permittee beverage alcohol purchases measure is linked to the overarching Government goal of growth and opportunity. SLGA views franchisees and commercial permittees as partners in the beverage alcohol market and as such SLGA provides policy, operational, and financial support where and when possible to ensure sustainability or positive growth occurs.

In addition to their relationship with the strength of the Saskatchewan economy, these performance measures can be affected by weather conditions. While franchise purchases have recorded growth in each year since 2006-07, commercial permittee purchases were affected by the cold and wet summer weather experienced in 2010. Off-sale outlets are responsible for a significant percentage of impulse beer purchases in Saskatchewan; therefore, the decline in the volume of beer sales in 2010-11 was disproportionately felt by off-sale outlets. The growth since 2006-07 has also been supported by a combination of industry price increases, trading up by the consumer to higher priced products and an increase in the volume purchased and ultimately sold by SLGA's partners. Purchases by the SWSFs are anticipated to grow over time as they continue to meet consumer demand, building on this niche market.



Photo Credit: Tourism Saskatoon, City of Bridges

Measure

Marginal return on expenses (MRE)

Fiscal Year	Marginal Return on Expenses
2010-11	1.39
2009-10	(0.11)
2008-09	+2.23
2007-08	+0.49
2006-07	+1.61

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure expresses an overall return on investment as an outcome. It expresses a ratio between the change in net income compared to the change in total operating expenses and reflects the principle that while operating expenses can increase, this growth often leads to an increase in net income. Any outcome greater than zero is a positive outcome.

The MRE measure is linked to SLGA's strategy to ensure continuous improvement in internal operational efficiency and productivity. A positive and increasing MRE is a good indication that SLGA is managing expenses in a fiscally responsible manner that is generating growth in net income.

SLGA has some influence over aspects of this measure, especially regarding operating expenses and policy development aimed at growing net income over time. In 2009-10, the MRE was negative as a result of declining VLT activity. In all other years, the measure has been positive; indicating that increased expenses and business investment has translated into increased net income.



Photo Credit: Tourism Saskatchewan, Greg Huszar Photography, Evergreen Golf Course

Measure

Retail Liquor Store Customer Satisfaction

	2002-03 (phone)	2004-05 (phone)	2007-08 (phone)	2010-11 (phone)	2010-11 (online)
Satisfied with Customer Service	92%	91%	88%	92%	83%
Customer Service Meets or Exceeds Expectations	97%	96%	95%	97%	95%

Source: Saskatchewan Liquor and Gaming Authority

Note: 2002-03 through 2007-08 survey results are considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level. The 2010-11 phone survey results are considered accurate to within plus or minus 3.7 per cent. Online survey results were derived by a new sampling methodology (non-probability sampling technique); therefore the standard margin of error calculation is not applicable for the online study.

Measure Description

Customer satisfaction is an important indicator of the quality of SLGA's programs and services and how they are perceived by the public. Excellent customer service is one of the most important outcomes for SLGA as a customer-oriented retail business. Identifying what is most important to customers is a key component for SLGA in continuing to offer high quality programs and services.

This measure is directly aligned with Government's goal of responsive and responsible government and SLGA's strategy to provide responsive and high quality services to customers and stakeholders.

In response to declining response rates via telephone and the increased prevalence of cell phone only households, SLGA conducted a tandem customer satisfaction survey (both online and telephone surveying) in 2010-11. The telephone survey component allowed for direct comparisons to the 2007-08 survey results and the online survey component facilitates the transition between the two methodologies and establishes an online benchmark for future online surveys. The survey results indicate a high level of customer satisfaction with retail liquor store service. In response to the results of the 2010-11 survey, SLGA has implemented a mystery shopper program in our retail store system in order to further define areas that were identified for service improvement. Once complete, SLGA will use the results to develop and refine training strategies and policies in response to findings.

Customer satisfaction is dependent upon service levels in stores and increasing demand for expanded product selection by SLGA's customers. Responding to increased demand created by the population growth occurring in Saskatchewan's major urban centres is a key factor in meeting customer expectations.

FINANCIAL SUMMARY

SLGA's 2012-13 financial plan supports the organization's key strategies that are designed to assist Government in achieving its goals and directions. The main financial outcome for SLGA is its net income which consists primarily of the following components: provincial VLT revenues; SIGA net income; and profits from the retail liquor sector.

SLGA's net income is essential to supporting broader provincial objectives. For 2012-13, SLGA is budgeting for a net income of \$439.9 million. VLT net income is budgeted at \$180 million, SIGA net income is forecast at \$67.9 million and net income from the retail liquor sector is budgeted at \$235 million. The net income generated in these areas is offset by the net cost of licensing, regulation and support in both the liquor and gaming areas of \$43 million.

Overall, SLGA's capacity to continue to generate additional revenues is impacted by a variety of economic forces and public policy choices. Maintaining a balance between revenue generation and social responsibility is key to SLGA's success in supporting government achieve its goals.

For more information, see the Budget Estimates at: <http://www.finance.gov.sk.ca/budget/2012-13>

For More Information

Please visit SLGA's website at www.slga.gov.sk.ca for more information on its key business areas or contact (306) 787- 4213 or Toll Free 1-800-667-7565.

Front Page Photo Credits



Canola and flax fields

Photographer, Charles Melnick



Biking, Narrow Hills Provincial Park

Greg Huszar Photography



Motherwell Homestead National Historic Site of Canada

Greg Huszar Photography



Saskatchewan Legislative Building

Greg Huszar Photography